

Indiana Treatment for Nonconforming Bonus Depreciation Allowance

House Enrolled Act 1728-2003 updates references to the Internal Revenue Code in certain Indiana income tax statutes. For tax year 2003, any reference to the Internal Revenue Code means the Internal Revenue Code (IRC) of 1986, as amended, and in effect on January 1, 2003.

This updates the Indiana Code to correspond (retroactively) to the definition of federal adjusted gross income in all areas except for the bonus depreciation deduction. The depreciation deduction will be calculated in the same manner as calculated prior to 2001. All other provisions including the net operating loss carry back, the educator expense deduction, clean fuel vehicle deduction, and foster care deduction have been incorporated for taxable years beginning after December 31, 2002. See [Commissioner's Directive #19](#) for information on allowance of accelerated depreciation for state tax purposes.

Note: Not included in the above reference to the Internal Revenue Code are any provisions in Public Law 108-27, **The Jobs and Growth Tax Relief Reconciliation Act of 2003**, which was signed by the President on May 28, 2003. Because the act was signed after January 1, 2003, this legislation is not incorporated into the Definition of Indiana Adjusted Gross Income.

Modification to Eliminate Bonus Depreciation for Tax Year 2003

Add or subtract the amount attributable to additional first-year special depreciation allowance (bonus depreciation) for qualified property allowed under IRC Section 168(k). The adjustment is equal to the difference in the amount of adjusted gross income that would have been computed if an election had not been made to apply bonus depreciation in the year the property was placed in service.

Use the table below to determine the appropriate line to reflect the amount of bonus depreciation allowance which cannot be used to arrive at Indiana Adjusted Gross Income. Make adjustments as necessary on the designated line that corresponds to the type of annual return being filed.

Form	Line Number	Line Title
IT-40	5	Other
IT-40PNR- Schedule A	20B	Other income reported on your federal return
Schedule IT-40PNRA	2b	Bonus depreciation allowed under Section 168(k)
IT-20	6	Bonus Depreciation Adjustment
IT-20NP	6	Bonus depreciation modification and other adjustment
IT-20S	2b	Add Back Bonus Depreciation
IT-65	2b	Add Back Bonus Depreciation
IT-41	2	Federal Deductions allocable to Tax Exempt Income
FIT-20	11	Add Back Adjustment

Other Adjustments - Please attach a separate statement to the return to explain your bonus depreciation adjustment and to identify other changes affecting your Indiana tax liability for 2003 if you are also applying any provisions of The Jobs and Growth Tax Relief Reconciliation Act which effect your adjusted gross income.

Additional updates will be posted on the Department's web site at www.IN.gov/dor

Federal information is available at www.irs.gov/